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**Department of Health and Family Services**

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**Medicaid Reimbursement of Hospitals  
Annual Rate Update for 2004-2005**

The State of Wisconsin reimburses hospitals for medical services provided to qualified low-income persons under the authority of Title XIX of the Federal Social Security Act and ss. 49.43 to 49.47, Wisconsin Statutes. The Wisconsin Department of Health and Family Services administers this program which is called Medicaid or Medical Assistance (MA). Federal statutes and regulations require state plans, one for outpatient services and one for inpatient services, which provide the methods and standards for paying for hospital outpatient and inpatient services including specific payment rates and methodologies.

The Department is proposing to update payment rates based on current methodologies and to reflect more recent hospital cost reports and/or other information relevant to hospital reimbursement. The final rates will apply to Medicaid payments for hospital discharges in the state fiscal year beginning July 1, 2004.

As required by federal regulations, the proposed payment rates are restricted by the federal Medicare upper limit requirement and target a share of funding to hospitals which serve a disproportionate number of low-income patients.

**Inpatient Hospital Services**

For each rate year, July 1 through June 30, the Department updates standard factors used in determining the amount of payment hospitals receive for services covered by the Diagnosis Related Group (DRG) based payment method.

**Direct Graduate Medical Education**

As authorized by the 2003 biennial budget, provide enhanced payments for Graduate Medical Education (GME) to qualifying hospitals to support direct medical education (DME) costs.

**Hospitals Paid for Critical Access Hospital Inpatient Services**

Critical Access Hospitals. Critical Access Hospitals (CAH) located in Wisconsin will be reimbursed according to a determination of the hospital's allowable audited costs for Medicaid inpatient services. If allowable costs are determined to exceed the total amount of DRG based payments made to the critical access hospital for discharges of Medicaid recipients during the fiscal year, the Department will reimburse the hospital by the amount by which its costs exceed payments. If payments for inpatient stays exceed costs the Department will recover excess payments from the hospital. Critical access hospitals are not eligible for a rural hospital adjustment

## **Proposed Rates for the 2003-2004 Rate Year**

Attachment A: Inpatient DRG base rates for critical access hospitals.

The Wisconsin Medicaid Inpatient State Plan includes a complete description of hospital payment methodology.

## **Copies of Proposed Changes and Proposed Payment Rates**

Enclosed. Copies of the proposed changes are available for public review and posted on the DHFS website at: <http://dhfs.wisconsin.gov/medicaid/updates/provtype/61hosinpat.htm>

For more information, or for paper copies of the proposed changes, interested persons may fax or write to:

Hospital, Physician, Clinic and Pharmacy Section  
FAX (608) 266-1096

Bureau of Fee-for-Service Health Care Benefits  
Division of Health Care Financing  
P. O. Box 309  
Madison, WI 53701-0309

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## **Written Comments**

Written comments on the proposed changes are welcome and should be sent to the above address, either via e-mail or postal mail. The comments received on the changes will be available for public review between the hours of 7:45 a.m. and 4:30 p.m. daily at:

Division of Health Care Financing  
Room 350, State Office Building  
One West Wilson Street  
Madison, WI 53701